



2007



COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

For the Fiscal Year Ended June 30, 2007

Your goals ... our commitment.

A Discretely Presented Component Unit of the State of Indiana.



2007 COMPREHENSIVE ANNUAL FINANCIAL REPORT

What does retirement mean? The strict definition denotes “a removal or withdrawal from service” or even “withdrawal into privacy or seclusion.” In truth, there are many answers to this question. To some people, it signifies moving on to a second career, while others choose to pursue philanthropic interests or resolve to spend more time with loved ones. No matter where your interests lie, PERF retirement benefits offer members the means to get what they want from this stage in their lives. On the section head pages within this report, you can read about actual PERF retirees and how they have chosen to spend their retirements.

Public Employees' Retirement Fund

Judges' Retirement System

State Excise Police, Gaming Agent and Conservation
Enforcement Officers' Retirement Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Prosecuting Attorneys' Retirement Fund

Legislators' Retirement System

- Defined Benefit Plan
- Defined Contribution Plan

State Employees' Death Benefit Fund

Public Safety Officers' Special Death Benefit Fund

Pension Relief Fund

PREPARED BY

Public Employees' Retirement Fund
143 West Market Street
Indianapolis, IN 46204
Toll-free: (888) 526-1687
www.perf.in.gov

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Employees' Retirement Fund of Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director



Public Pension Coordinating Council
Public Pension Standards
2007 Award

Presented to

Indiana Public Employees' Retirement Fund

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator



2007 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Introductory Section

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Velma Bright's diminutive frame contrasts greatly with her work history. She has been employed with the Akron Public Library in Fulton County for 66 years, longer than most people have been alive.

After she graduated from high school in 1941, Velma applied for a job at the Akron library at her father's suggestion. Unfortunately, there were no open positions at that time. Six weeks later, however, her hometown library called and offered her a job. In 1950 she became director, and has been in that position ever since.

Velma's roots in Akron run deep. Her mother's family has lived there since the town was founded in 1836, while her father's family moved there in 1837. She has always called it home and has devoted her career to maintaining the library.

"I'm not retired, I still work for the Akron Public Library," she said. This statement is true. Even at the age of 84, Velma has never stopped working. Due to her age and number of years on the job, she falls under a provision that allows her to continue working and also collect a PERF benefit.

"I'm grateful that PERF called this technical rule to my attention because I have no desire to retire. I love my job and intend to stay here as long as I can," she said.

Her life story sets her apart in a modern age where many people have several different careers over their lifetimes. Velma's hard work and devotion to her profession have kept her young at heart, even after all these years.

Letter of Transmittal

Terren B. Magid
Executive Director

December 2007

Dear Board Members:

It is my pleasure to provide this Comprehensive Annual Financial Report of the Public Employees' Retirement Fund of Indiana (PERF) for the fiscal year ended June 30, 2007.

The 2007 fiscal year was one of progress in our commitment to excellent customer service, responsible management and prudent investing. Evidence of this progress includes the following:

Customer Service: PERF reached a significant customer service milestone in December 2006, with 100 percent of retirements processed without payment interruption. Two years prior, this data was not tracked at PERF. Today, we can assure retirees who follow our process that they will have little or no interruption between their last paycheck and first retirement benefits.

Management Initiatives: In February, we announced a \$100 million emerging managers initiative that would place investments with small investment management firms in Indiana, and across the nation, including minority- and women-owned firms.

Accountability: In the front of this publication you'll see a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. This certification for PERF's 2006 annual report marks the first time since 2002 that a PERF annual report has achieved this recognition. We're proud of this achievement and will strive to continue to meet the high standards reflected by this certification.

Asset Allocation: In August 2006, PERF's Board of Trustees approved a revised asset allocation aimed at managing investment volatility, maintaining the plan's soundness and, in the longer term, stabilizing or reducing employer contributions. Under the new target allocation, the equity commitment remained at 65 percent, while the commitment to fixed income decreased from 30 percent to 20 percent and the commitment to alternative investments increased from 5 percent to 15 percent. Our investments team worked diligently throughout the year on a prudent implementation of this allocation.

Investment Return: PERF net assets grew by nearly \$2.5 billion, while its investments delivered a 17.8 percent annualized return in the fiscal year. The annualized return beat a 17.6 percent overall benchmark and exceeded the targeted 7.25 percent actuarial rate of return. The plan grew to the 85th largest pension system in the United States, according to Pensions & Investments, and ended the fiscal year with approximately \$17.2 billion in assets.

National Recognition: PERF's approach to increasing its allocation to alternative investments, as well as significant improvements in customer service were noted as factors in its being named among three finalists for a national award recognizing excellence in public pension funds. Money Management Letter, an industry publication, announced PERF's nomination for Large Public Plan of the Year in December 2006.



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Letter of Transmittal (continued)

National Excellence: On the inside of the front cover, you'll see an Achievement Award from the Public Pension Coordinating Council recognizing PERF's excellence in meeting professional standards for plan design and administration. This recognition rates PERF's system management and administration among an exclusive handful of public retirement systems in the nation. The Public Pension Coordinating Council is a coalition of three national associations that represent public retirement systems and administrators. Combined, these associations serve retirement systems that provide pension coverage for most of the nation's 16 million employees of state and local government.

Background Information

As of June 30, 2007, PERF was responsible for the investment of approximately \$17.2 billion in combined assets. In total, PERF paid monthly retirement, disability and survivor benefits to 60,868 benefit recipients, served 153,336 members actively employed in public service and worked in partnership with 1,180 participating employers statewide.

This report provides detailed information on the performance of all retirement plans administered by PERF, including the:

- *Public Employees' Retirement Fund*
- *Judges' Retirement System*
- *State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan*
- *1977 Police Officers' and Firefighters' Pension and Disability Fund*
- *Legislators' Retirement System*
- *Prosecuting Attorneys' Retirement Fund*

PERF also administers two special death benefit funds for public safety officers and state employees who die in the line of duty. In addition, PERF manages the Pension Relief Fund, which was created by the Indiana General Assembly to address the unfunded pension obligations of the police officers' and firefighters' pension systems of Indiana's cities and towns. PERF is not responsible for the administration of those local pension funds, which have been closed to new membership

since the creation of the 1977 Police Officers' and Firefighters' Pension and Disability Fund. However, PERF makes disbursements twice a year to the local police and firefighter units throughout the state that are still obliged to pay benefits under those former plans.

Management's Responsibility for Financial Reporting

PERF's management prepared the financial statements included in this Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. PERF's management is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of PERF's operations.

The Indiana State Board of Accounts, PERF's external auditor, has conducted an audit of the general purpose financial statements in accordance with generally accepted auditing standards, performing work as it deemed necessary to express an opinion in their report.

The Indiana State Board of Accounts completed their review of PERF's financial statements for the fiscal year ending June 30, 2007, on Sept. 29, 2007. The resulting reports show PERF had made significant progress in improving the quality of its financial statements.

The findings of the Indiana State Board of Accounts showed real progress at PERF. During this fiscal year, PERF management and staff invested considerable time and resources to improve its internal control environment and expect similar efforts to continue. Specifically, PERF will continue its strategic focus on organizational improvement, technology upgrades, and improved internal control processes and procedures.

Reporting Financial Information

PERF's management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization.

Letter of Transmittal (continued)

Management also is charged with recording these transactions as necessary to maintain accountability for assets, and to permit preparation of financial statements in accordance with generally accepted accounting principles. This system includes the written policies and procedures of the Board of Trustees.

For financial reporting purposes, PERF follows the Governmental Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefits Pension Plans and Note Disclosures for Defined Contribution Plans. Assets of PERF are presented at fair value. The actuarial value of assets and the actuarial accrued liability are presented in the Required Supplementary Information following the Notes to the Financial Statements.

The GASB issued Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement establishes financial reporting standards for state and local governments. The Management Discussion and Analysis is contained within the Financial Section and serves to supplement the Introductory Section of the Comprehensive Annual Financial Report, as well as financial statements, notes and supplementary information within the Financial Section.

Economic Condition

PERF's economic condition is based primarily upon investment results and contributions from members and employers. Mercer Investment Consulting evaluated the year-end investment portfolio. The return comparison begins on page 63.

Investments

Positive investment performance for the Consolidated Retirement Investment Fund (CRIF) helped increase PERF's assets in the fiscal year ending June 30, 2007.

The Investment Section includes an in-depth discussion of the CRIF and the investment policies guiding the Board of Trustees in their decision making. The Board of Trustees continues to make progress in diversifying the assets of PERF and adjusting its risk and return profile in order to deliver the growth and earnings needed to meet future benefit obligations.

Asset Allocation

Prudent diversification through strategic asset allocation is fundamental to the Board of Trustees' overall investment policy. The policy is designed to provide an optimal mix of asset classes in order to meet PERF's return objectives, while maintaining appropriate diversification and risk control. PERF continues to incorporate traditional assets (cash, domestic and international stocks, and domestic fixed income) while also incorporating nontraditional assets (such as real estate and private equity) into the target asset mix.

The investment portfolio mix at fair value for fiscal year ended June 30, 2007, was approximately 22.2 percent fixed income, 76.2 percent equities and 1.6 percent in alternative investments. Of the total portfolio as of June 30, 2007, the equity portfolio was comprised of 48.0 percent domestic equity, 10.6 percent global equity, and 17.6 percent international equity.

Funding

The health of a retirement system is measured in its ability to fund current and future benefit obligations of its members, which is represented in its funding level. Adequate funding levels reflect the ratio between total accumulated assets compared to total actuarial accrued liabilities, resulting in a reduced reliance on contributions. Total CRIF returns of 17.8 percent were well above actuarial assumptions of 7.25 percent.

Funding status and progress for the plans are presented in the Required Supplementary Information Schedules of Funding Progress.

The actuarial accrued liability of PERF is a measure of the present value of actuarial accrued liabilities estimated to be payable in the future to all current retirees, beneficiaries and employees for service earned to date. The funding ratio is the percentage computed by dividing the actuarial value of net assets available for benefits by the actuarial accrued liability. This ratio provides an indication of the funding status of the plan and generally, the greater this percentage, the stronger the plan.

Letter of Transmittal (continued)

The accumulated balance of funds derived from the excess of additions over deductions is referred to as the net assets held in trust for pension benefits in the Combined Statement of Changes in Fiduciary Net Assets in the Financial Section of this report. The actuarial accrued liability is not disclosed in the Financial Statements, but is disclosed in the Required Supplementary Information Schedules following the Notes to the Financial Statements.

Actuarial Survey Valuation

An actuarial review of PERF is performed annually. An assumption experience study is performed every three to five years. The actuarial firm, McCready & Keene, completed the experience study, actuarial reviews and valuations. In addition, the firm served as technical advisor to PERF. Actuarial certification and supporting statistics are included in the Actuarial and Statistical sections of this report.

Acknowledgements

In the compilation of this report, PERF's staff and advisors have worked to demonstrate a constructive spirit of full disclosure to clearly communicate our financial story and to motivate interested individuals to read this document. It is intended to provide information for use as the basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the assets contributed by our members and employers.

We appreciate and respect the trust bestowed on us by the people of the state of Indiana. On behalf of PERF, I wish to thank Governor Mitch Daniels, the members of the Pension Management Oversight Commission, the General Assembly, the Board of Trustees and the many public employees and employers who have provided us this opportunity to serve. And I would especially like to thank David J. Adams, who served as PERF's executive director through the majority of the fiscal year.

Sincerely,



Terren B. Magid
Executive Director

Administrative Organization

Mitch Daniels
Governor

Becky Skillman
Lt. Governor

Administrative Staff

Terren Magid
Executive Director

Steven Barley
Deputy Director
Chief Operations Officer

David Huffman
Deputy Director
Chief Technology Officer

Patricia Bush
Chief Financial Officer

Jeffrey Hutson
Director of Outreach
and Communication

Andrea Unzicker
General Counsel

Shawn Wischmeier
Chief Investment Officer

Professional Consultants

McCready and Keene, Inc.
7941 Castleway Drive
Indianapolis, IN 46250-0460

Mercer Investment Consulting, Inc.
10 South Wacker Drive, Ste. 1700
Chicago, IL 60606-7500

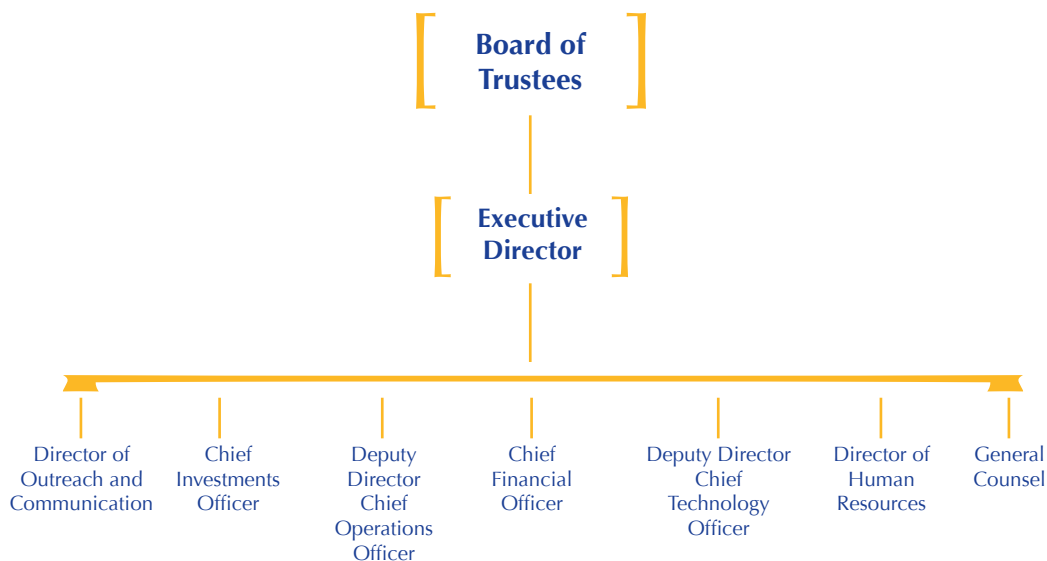
Strategic Investment Solutions, Inc.
333 Bush Street, Suite 2000
San Francisco, CA 94104

PERF ADMINISTRATIVE STAFF



Executive Team

PERF ORGANIZATIONAL CHART



PERF Board of Trustees & Executive Team

BOARD OF TRUSTEES



Ken Cochran
Chair



Kevin Boehnlein
Vice Chairman



Kathy Ettensohn



Ryan Kitchell



Matt Murphy



Robert Welch, Jr.

EXECUTIVE TEAM



Terren Magid
Executive Director



Steven Barley
*Deputy Director
Chief Operations Officer*



David Huffman
*Deputy Director
Chief Technology Officer*



Patricia Bush
Chief Financial Officer



Jeffrey Hutson
*Director of Outreach
and Communication*



Andrea Unzicker
General Counsel



Shawn Wischmeier
Chief Investment Officer

Fund Highlights: Public Employees' Retirement Fund

Membership and Eligibility

The Public Employees' Retirement Fund includes eligible state and local government employees.

MEMBERS RECEIVING RETIREMENT BENEFITS

Age	Years of Service	Allowance Reduction
50 up to 59	15 or more	11% at age 59, additional 5% for each year under age 59
55	Age at retirement plus total years of service equals 85 or more	None
60	15 or more	None
65	10 or more	None
65	8 or more ¹	None

¹A member who has at least eight years of PERF service as a county clerk, county auditor, county recorder, county treasurer, county sheriff or county coroner is eligible for normal retirement after reaching age 65. This change in the law applies only to members retiring after June 30, 2002. Public Law 73-2002 also provides that a member serving as state auditor, state treasurer or secretary of state and whose term commences after the Nov. 5, 2002, election be vested with at least eight years of creditable service.

BENEFIT FORMULA

$$\text{Annual Benefit} = (\text{Years of Creditable Service} \times \text{Average Annual Compensation} \times .011) + \text{Annuity Savings Account}^2$$

²Members can elect at retirement to receive their Annuity Savings Account as a monthly supplement to their defined pension benefit or in a total distribution.

Cost of Living Allowance

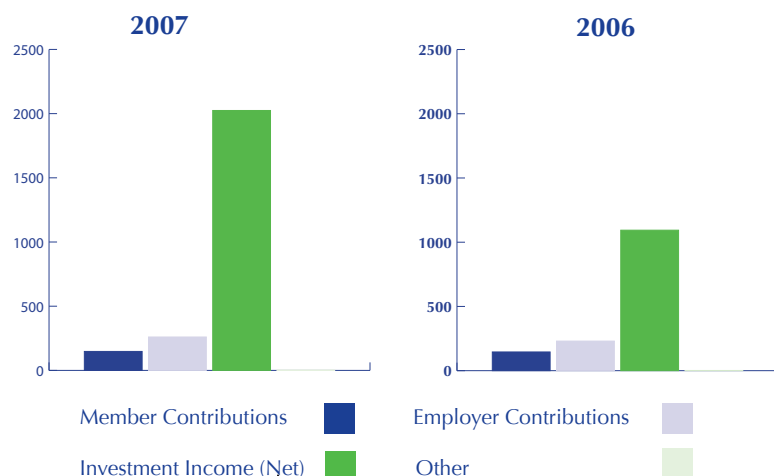
Cost of living allowances are passed by the Indiana General Assembly on an ad-hoc basis.

Contribution Rates

- Members are required to contribute 3 percent of gross wages to the Annuity Savings Account. Employers have the option of making all or part of this 3 percent contribution on behalf of the member.
- Members may also voluntarily contribute up to an additional 10 percent of their wages into the Annuity Savings Account.
- The amount (rate) of Employer contributions is adopted by the Board of Trustees based on recommendations by PERF's actuary.

Fund Highlights: Public Employees' Retirement Fund (continued)

Additions by Source For fiscal year ended June 30 (in millions)

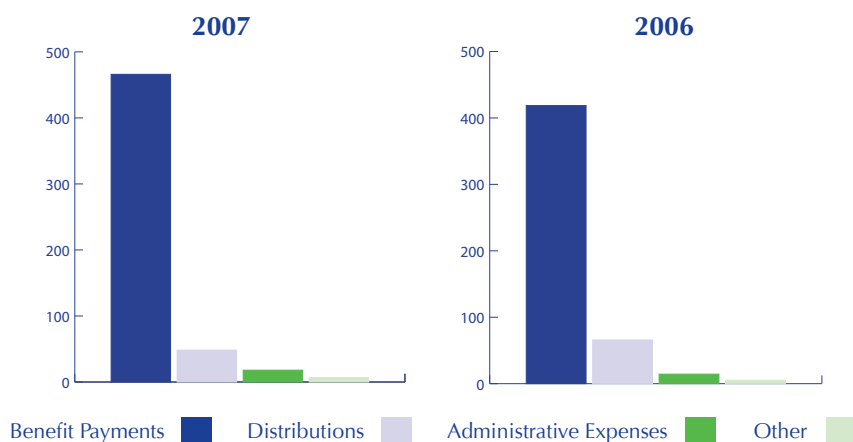


For fiscal year ended June 30 (in millions)	2007	2006
--	------	------

Additions by Source

Member Contributions	\$ 147.7	\$ 145.7
Employer Contributions	260.2	230.4
Investment Income (net)	2,024.5	1,093.7
Other	2.8	1.5
Totals	\$2,435.2	\$1,471.3

Deductions by Type For fiscal year ended June 30 (in millions)

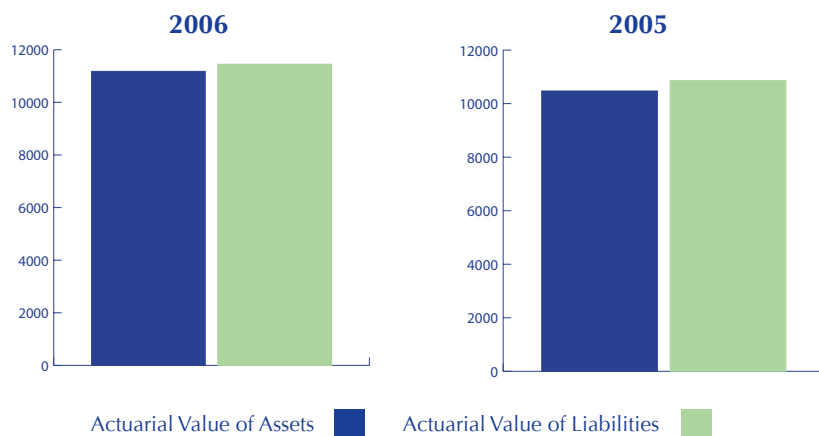


For fiscal year ended June 30 (in millions)	2007	2006
--	------	------

Deductions by Type

Benefit Payments	\$ 466.0	\$ 418.6
Distributions	48.3	65.8
Administrative Expenses	17.9	14.3
Other	6.8	5.1
Totals	\$ 539.0	\$ 503.8

Funding Progress Actuarial study as of July 1 (in millions) (with ratios)



Actuarial study as of July 1 (in millions)	2006	2005
---	------	------

Funding Progress

Actuarial Value of Assets	\$11,178.0	\$10,471.9
Actuarial Value of Liabilities	11,450.9	10,858.3
Funding Ratios	97.6%	96.4%

Fund Highlights: Judges' Retirement System

Membership and Eligibility

The Judges' Retirement System includes any person who has served, is serving or shall serve as a regular judge of the Supreme Court of the state of Indiana, circuit court of any judicial circuit, Indiana Tax Court or county courts including: circuit, superior, criminal, probate, juvenile, municipal and county court.

MEMBERS RECEIVING RETIREMENT BENEFITS

Age	Years of Service	Allowance Reduction
55	Age at retirement plus total years of service equals 85 or more	None
62	8 or more	0.1% for each month that retirement precedes age 65
65	8 or more	None

BENEFIT FORMULA

Annual Benefit = Salary at Retirement¹ x Percentage Below

Years of Service	Percentage	Years of Service	Percentage
8	24%	16	54%
9	27	17	55
10	30	18	56
11	33	19	57
12	50	20	58
13	51	21	59
14	52	22 or more	60
15	53		

¹Benefit calculations for the 1977 System are based on the current salary of the judge's position from which they retired. The 1985 System uses the salary paid to the judge when they retired.

Cost of Living Allowance

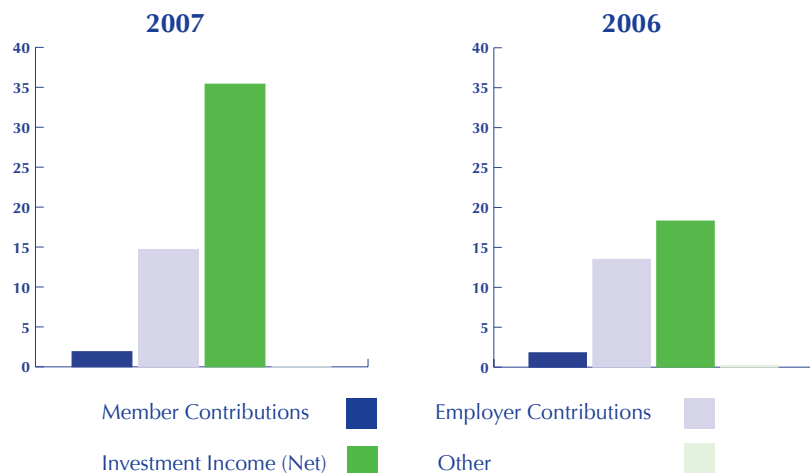
For the 1977 System, the cost of living allowance is a percentage increase equal to the increase in the salary of the judges' position from which the judge retired. For the 1985 system, a 2 percent cost-of-living adjustment (COLA) is payable Jan. 1, 2008, and Jan. 1, 2009, to participants, survivors and beneficiaries.

Contribution Rates

- Employees contribute 6 percent of the judge's statutory salary until 22 years of service have been completed.
- Employer contributions are determined by the General Assembly as biennial appropriations from the state's General Fund.

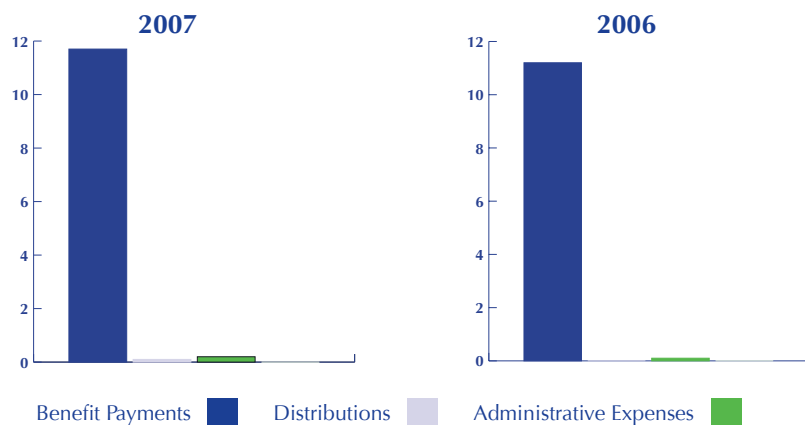
Fund Highlights: Judges' Retirement System

Additions by Source For fiscal year ended June 30 (in millions)



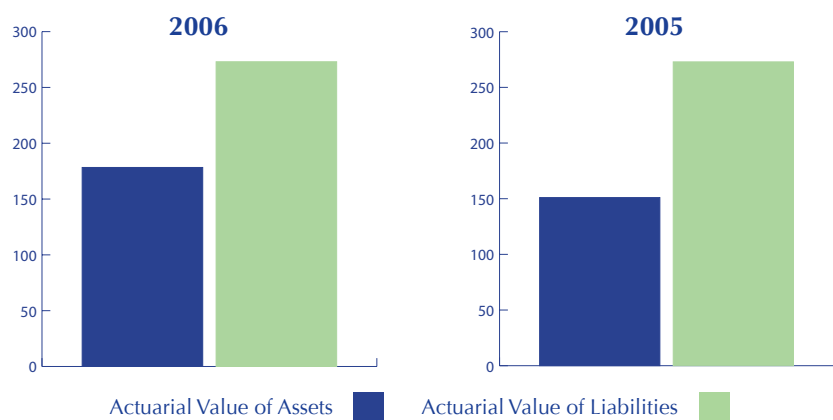
For fiscal year ended June 30 (in millions)	2007	2006
Additions by Source		
Member Contributions	\$1.9	\$1.8
Employer Contributions	14.7	13.5
Investment Income (net)	35.4	18.3
Other	-	0.2
Totals	\$52.0	33.7

Deductions by Type For fiscal year ended June 30 (in millions)



For fiscal year ended June 30 (in millions)	2007	2006
Deductions by Type		
Benefit Payments	\$ 11.7	\$11.2
Distributions	0.1	-
Administrative Expenses	0.2	0.1
Totals	\$12.0	\$11.3

Funding Progress Actuarial study as of July 1 (in millions) (with ratios)



Actuarial study as of July 1 (in millions)	2006	2005
Funding Progress		
Actuarial Value of Assets	\$178.3	\$151.0
Actuarial Value of Liabilities	273.0	272.9
Funding Ratios	65.3%	55.3%

Fund Highlights: State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan

Membership and Eligibility

The State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan includes employees of the (1) Indiana Department of Natural Resources, (2) Indiana Alcohol and Tobacco Commission and (3) any Indiana state excise police officer, Indiana State conservation enforcement officer or gaming agent who is engaged exclusively in the performance of law enforcement duties.

MEMBERS RECEIVING RETIREMENT BENEFITS

Age	Years of Service	Allowance Reduction
45	15 or more	0.25% for each full month that retirement precedes age 60
55	Age at retirement plus total years of service equals 85 or more	None
60	15 or more	None

BENEFIT FORMULA

$$\text{Annual Benefit} = 25 \text{ percent}^1 \times \text{Average Annual Salary}^2$$

¹This percentage is increased by 1-2/3 percent of average annual salary for each completed year of creditable service after 10 years (up to 25 years) and by 1 percent for each year of creditable service after 25 years.

²Average Annual Salary means the average annual salary of an officer during the five years of highest annual salary in the 10 years immediately preceding an officer's retirement date.

Cost of Living Allowance

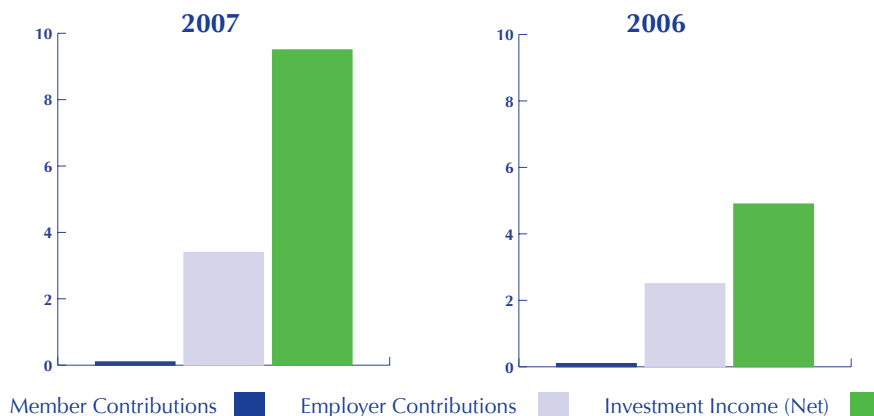
Cost of living allowance is equal to any ad-hoc cost of living allowance enacted for PERF.

Contribution Rates

- Member rates equal 3 percent of the first \$8,500 of annual salary (maximum contribution is \$255 per year).
- Employer contributions are adopted by the Board of Trustees based on recommendations by the Fund's actuary.

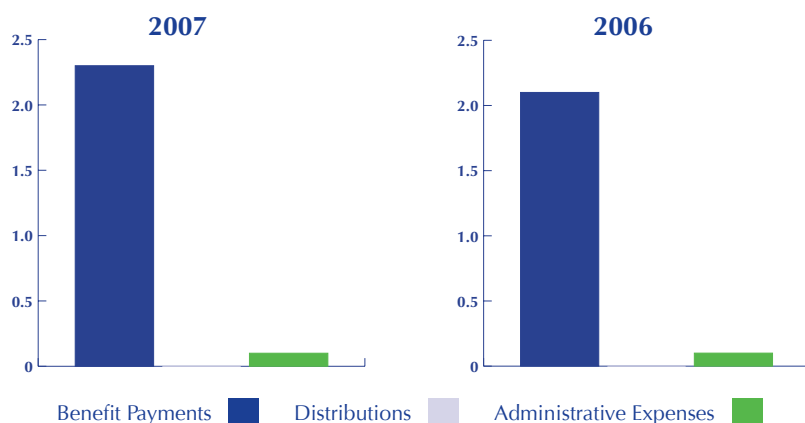
Fund Highlights: State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan (continued)

Additions by Source
For fiscal year ended June 30 (in millions)



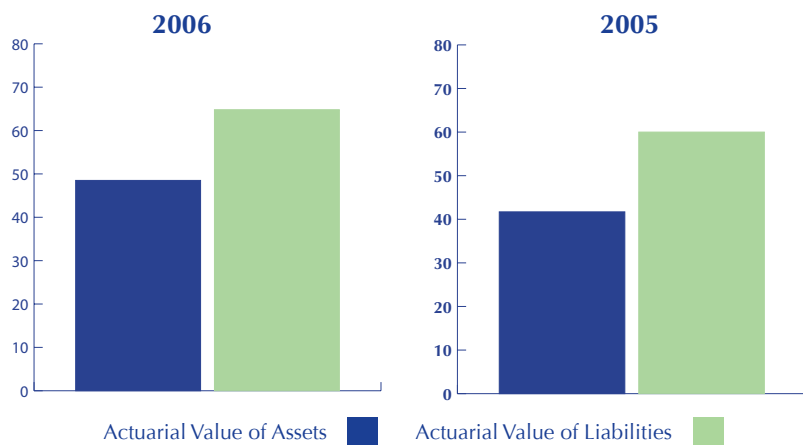
For fiscal year ended June 30 (in millions)	2007	2006
Additions by Source		
Member Contributions	\$0.1	\$0.1
Employer Contributions	3.4	2.5
Investment Income (net)	9.5	4.9
Totals	\$13.0	\$7.5

Deductions by Type
For fiscal year ended June 30 (in millions)



For fiscal year ended June 30 (in millions)	2007	2006
Deductions by Type		
Benefit Payments	\$2.3	\$2.1
Distributions	-	-
Administrative Expenses	0.1	0.1
Totals	\$2.4	\$2.2

Funding Progress
Actuarial study as of July 1 (in millions) (with ratios)



Actuarial study as of July 1 (in millions)	2006	2005
Funding Progress		
Actuarial Value of Assets	\$48.5	\$41.7
Actuarial Value of Liabilities	64.8	60.0
Funding Ratios	74.9%	69.5%

Fund Highlights: 1977 Police Officers' and Firefighters' Pension and Disability Fund

Membership and Eligibility

1977 Police Officers' and Firefighters' Pension and Disability Fund provides coverage to full-time sworn officers of a police force of an Indiana city or town and full-time firefighters employed by an Indiana city, town or township.

MEMBERS RECEIVING RETIREMENT BENEFITS

Age	Years of Service	Actuarial Reduction
50	20 or more	Actuarial reduction of 86 percent to 100 percent of the pension payable at age 52
52	20 or more	None

BENEFIT FORMULA

Annual Benefit:

Monthly benefit = 50 percent¹ of first-class salary for 20 years of service.

¹This percentage is increased by one-percent for each six months of active service accumulated after 20 years of service (to a maximum of 32 years, or 74 percent).

Cost of Living Allowance

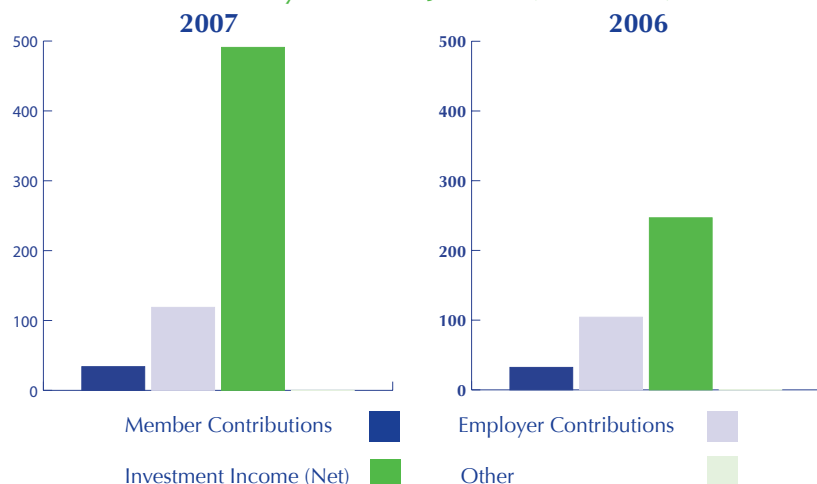
Cost of living allowance is a percentage determined by statute equal to the change in the Consumer Price Index, but not in excess of a 3 percent increase.

Contribution Rates

- Members contribute 6 percent of first-class salary for the term of their employment up to 32 years. Employers have the option of making all or part of this contribution on be half of the member.
- Employers contribute 21 percent of first-class salary.
- Employer contribution rates are adopted by the Board of Trustees based on recommendations by the Fund's actuary.

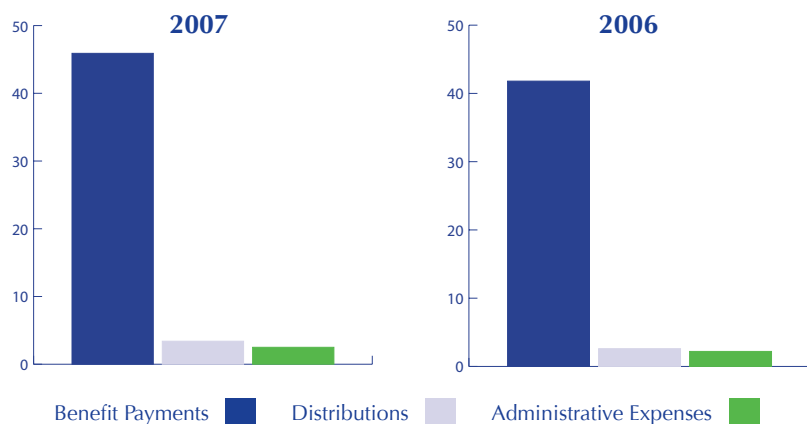
Fund Highlights: 1977 Police Officers' and Firefighters' Pension and Disability Fund (continued)

Additions by Source For fiscal year ended June 30 (in millions)



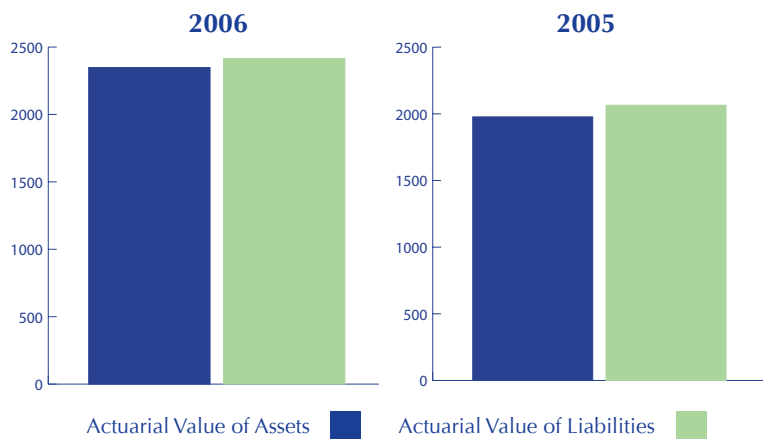
For fiscal year ended June 30 (in millions)	2007	2006
Additions by Source		
Member Contributions	\$33.9	\$32.2
Employer Contributions	118.8	104.2
Investment Income (net)	490.9	246.8
Other	0.1	0.1
Totals	\$643.7	\$383.3

Deductions by Type For fiscal year ended June 30 (in millions)



For fiscal year ended June 30 (in millions)	2007	2006
Deductions by Type		
Benefit Payments	\$45.9	\$41.8
Distributions	3.4	2.6
Administrative Expenses	2.5	2.2
Totals	\$51.8	\$46.6

Funding Progress Actuarial study as of July 1 (in millions) (with ratios)



Actuarial study as of July 1 (in millions)	2006	2005
Funding Progress		
Actuarial Value of Assets	\$2,348.0	\$1,976.9
Actuarial Value of Liabilities	2,415.1	2,064.1
Funding Ratios	97.2%	95.8%

Fund Highlights: Prosecuting Attorneys' Retirement Fund

Membership and Eligibility

The Prosecuting Attorneys' Retirement Fund (PARF) includes prosecuting attorneys, chief deputy prosecuting attorneys and other deputy prosecuting attorneys by the state. PARF members are also members of PERF. According to statute, benefits payable from PARF are reduced by any benefits payable from PERF.

MEMBERS RECEIVING RETIREMENT BENEFITS¹

Age	Years of Service	Allowance Reduction
62	8 or more	0.25% for each full month that retirement precedes age 65
65	8 or more	None

¹Benefits are reduced by pension benefits payable from the Public Employees' Retirement Fund.

BENEFIT FORMULA

Annual Benefit = Highest Annual Salary (State Portion Only) at Retirement x Percentage Below

Years of Service	Percentage	Years of Service	Percentage
Less than 8	0%	15	53%
8	24	16	54
9	27	17	55
10	30	18	56
11	33	19	57
12	50	20	58
13	51	21	59
14	52	22 or more	60

Cost of Living Allowance

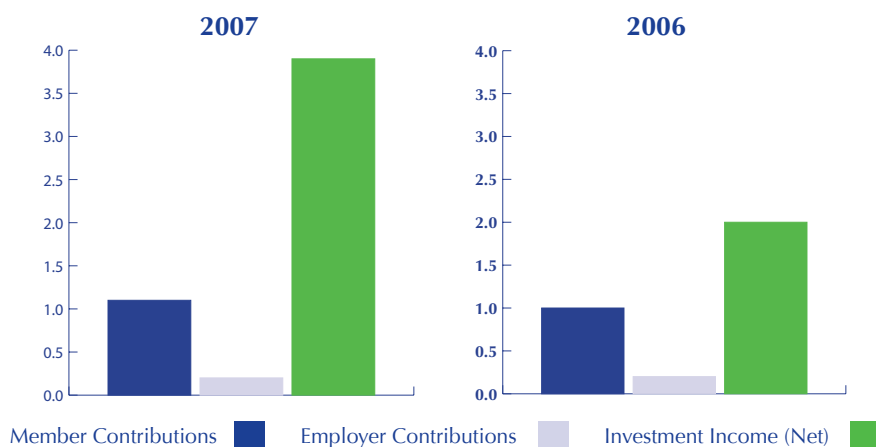
No cost of living allowance is available.

Contribution Rates

- Members contribute 6 percent of the state-paid portion of their annual salary.
- Employer contributions are adopted by the Board of Trustees based on recommendations by the Fund's actuary.

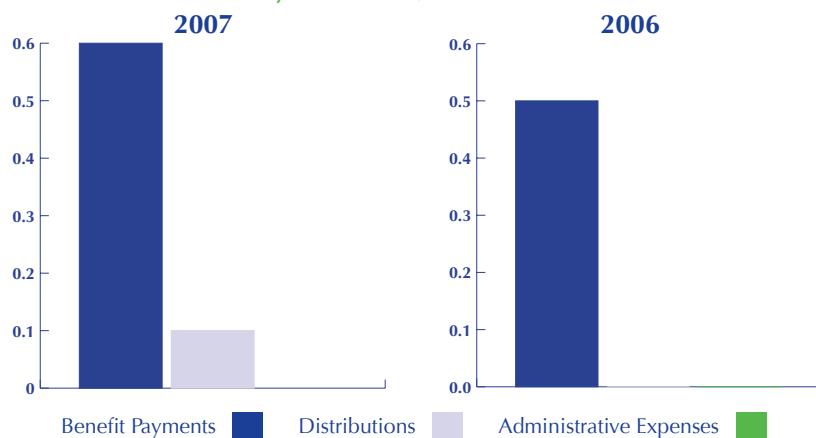
Fund Highlights: Prosecuting Attorneys' Retirement Fund (continued)

Additions by Source For fiscal year ended June 30 (in millions)



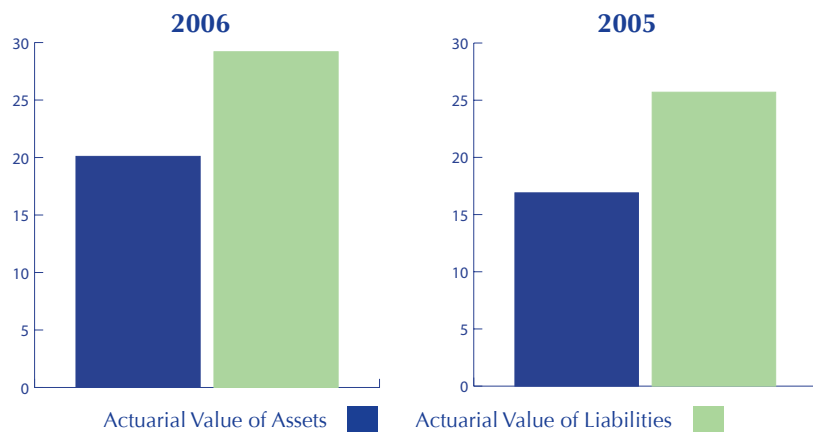
For fiscal year ended June 30 (in millions)	2007	2006
Additions by Source		
Member Contributions	\$1.1	\$1.0
Employer Contributions	0.2	0.2
Investment Income (net)	3.9	2.0
Totals	\$5.2	\$3.2

Deductions by Type For fiscal year ended June 30 (in millions)



For fiscal year ended June 30 (in millions)	2007	2006
Deductions by Type		
Benefit Payments	\$0.6	\$0.5
Distributions	0.1	-
Administrative Expenses	-	-
Totals	\$0.7	\$0.5

Funding Progress Actuarial study as of July 1 (in millions) (with ratios)



Actuarial study as of July 1 (in millions)	2006	2005
Funding Progress		
Actuarial Value of Assets	\$20.1	\$16.9
Actuarial Value of Liabilities	29.2	25.7
Funding Ratios	68.7%	65.6%

Fund Highlights: Legislators' Retirement System — Defined Benefit Plan¹

Membership and Eligibility

The Legislators' Retirement System Defined Benefit Fund includes only legislators of the state of Indiana who were serving on April 30, 1989, and elected participation. Legislators elected or appointed after April 30, 1989 participate in the Defined Contribution Plan.

MEMBERS RECEIVING RETIREMENT BENEFITS

Age	Years of Service	Allowance Reduction
55	10 or more ²	Benefit reduced using early retirement formula ³
55	Age at retirement plus total years of service as a member of the General Assembly equals 85 or more	None
60	15 or more	None
65	10 or more ⁴	None

²Have terminated service as a member of the General Assembly and is not receiving nor is entitled to receive a salary from the state.

³Early Retirement Benefit Formula:

Step 1: 780 months (65 years) – your age at retirement in full months = [x].

Step 2: If [x] is equal to or less than 60, then multiply [x] by 0.1 percent to obtain a product [y]. If [x] is greater than 60, then multiply 5/12 percent by the difference between 60 and the remainder [x]. Then take this product and add 6 percent to obtain a sum [y].

Step 3: Then subtract [y] from 100 percent to determine the percentage of your age 65 retirement benefit you receive.

⁴Have terminated service as a member of the General Assembly, are not receiving nor are entitled to receive a salary from the state and are not receiving and have not previously received a reduced monthly benefit under this plan.

BENEFIT FORMULA⁵

Lesser of:

- \$40 x Years of service before Nov. 8, 1989 or
- Highest consecutive three-year average annual salary at termination ÷ 12

⁵Legislators elected or appointed after April 30, 1989, participate in the Legislators' Defined Contribution Plan.

Cost of Living Allowance

Cost of living allowance is equal to any ad-hoc cost of living allowance enacted for PERF.

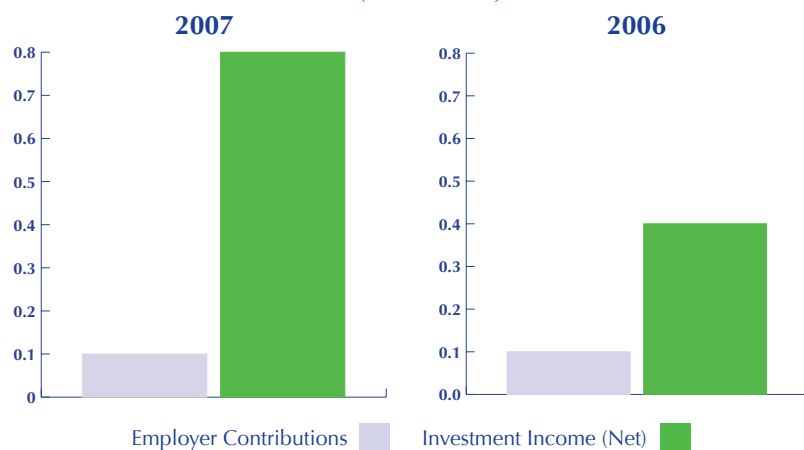
Contribution Rates

Employer contributions are adopted by the Board of Trustees based on recommendations of PERF's actuary.

¹The Legislators' Retirement System also includes a defined contribution plan available to all legislators of the state of Indiana who serve in the General Assembly on or after April 30, 1989. Members contribute 5 percent of their annual salary. The state of Indiana contributes 20 percent of their members' annual salaries per diem for service after June 30, 1989.

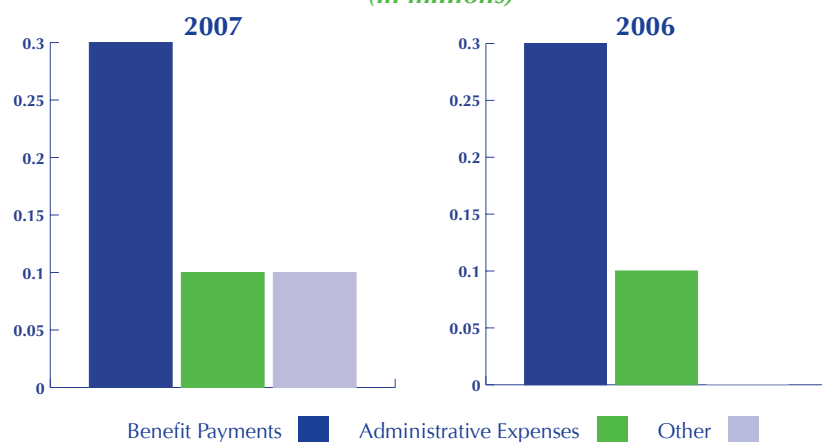
Fund Highlights: Legislators' Retirement System — Defined Benefit Plan (continued)

Additions by Source (in millions)



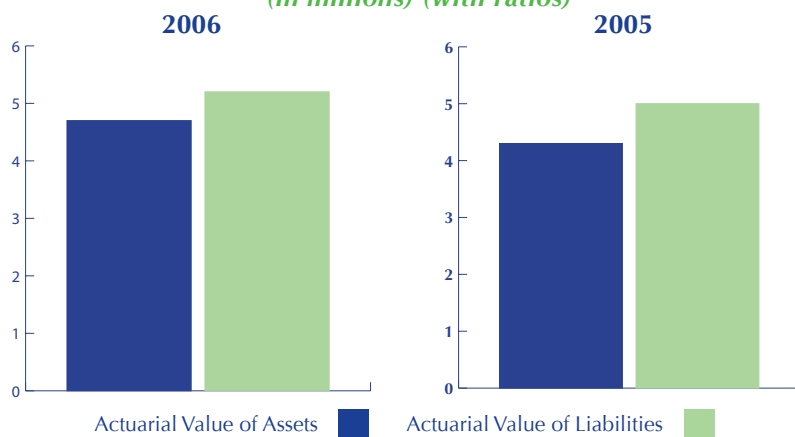
For fiscal year ended June 30 (in millions)	2007	2006
Additions by Source		
Employer Contributions	\$0.1	\$0.1
Investment Income (net)	0.8	0.4
Totals	\$0.9	\$0.5

Deductions by Type (in millions)



For fiscal year ended June 30 (in millions)	2007	2006
Deductions by Type		
Benefit Payments	\$0.30	\$0.30
Administrative Expenses	0.1	0.1
Other	0.1	-
Totals	\$ 0.5	\$ 0.4

Funding Progress (in millions) (with ratios)



Actuarial study as of July 1 (in millions)	2006	2005
Funding Progress		
Actuarial Value of Assets	\$4.7	\$4.3
Actuarial Value of Liabilities	5.2	5.0
Funding Ratios	90.2%	86.8%

